

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF FILING OF LOUISVILLE GAS)	
AND ELECTRIC COMPANY TO MODIFY FIRM)	CASE NO. 95-037
TRANSPORTATION SERVICE TARIFF)	

O R D E R

On December 21, 1994, Louisville Gas and Electric Company ("LG&E") submitted tariff revisions to replace its Standard Rider Firm Transportation Service (Non-Standby) -- Rate T, with a new Standard Rate Schedule Firm Transportation Service (Non-Standby) -- Rate FT. LG&E proposed that the filing become effective on and after February 1, 1995. On January 31, 1995, the Commission determined that further proceedings were necessary in order to determine the reasonableness of the tariff filing. The proposed tariff was suspended for five months from February 1, 1995 up to and including June 30, 1995. Commonwealth Energy Services ("CES"), Kentucky Industrial Utility Customers ("KIUC"), and Gas Strategies were granted full intervention.

Proposed tariff revisions included the establishment of an as-available balancing service with a corresponding utilization charge for imbalances outside the 5 percent imbalance tolerance range; a method for pricing gas consumed through the as-available balancing service at the Gas Supply Cost Component minus the Pipeline Supplier Demand Component of its rates; a method for "cashing out" imbalances caused by over-deliveries of transportation gas into

LG&E's system; the establishment of the Reserved Balancing Service, Rate RBS, which is a firm stand-by sales gas service; the ability for LG&E to issue an Operational Flow Order ("OFO") to require customers to match deliveries into its system with their metered usage when it cannot provide the as-available balancing service; the establishment of April 30 as the last day each year that customers may elect to transfer to Rate FT; and clarification that transportation service would be interrupted only during an emergency or force majeure situation. LG&E also proposed to include in its tariff an existing contract requirement that customers pay the cost of real-time telemetering equipment required to provide service under Rate FT. The proposal specified that a lump-sum payment be made to LG&E for the cost of equipment and installation, as well as annual charges for calibrating and servicing meters.

An informal conference was held on February 22, 1995, with a hearing on June 2, 1995.

Further tariff revisions were proposed in the March 10, 1995 pre-filed testimony of LG&E witness Randall J. Walker. As a result of mutual agreement between LG&E and KIUC, these modifications were increasing the existing daily imbalance tolerance from ± 5 percent to ± 10 percent before applying the utilization charge; applying the \$15 per Mcf OFO penalty only on days when the customer has been given at least 24-hour notice of the OFO; and establishing a Pooling Service Rider, Rate PS, which would aggregate participating customers' volumes and usages for applying Rate FT provisions

(daily pool imbalance tolerance would remain at ± 5 percent for purposes of applying the utilization charge). LG&E also brought forth its own additional proposal to allow customers to pay a Monthly Facilities Charge as opposed to making a contribution-in-aid-of construction for the real-time metering equipment.

Gas Strategies and CES were not parties to the agreement between LG&E and KIUC. CES objected to the need for daily balancing and, thus, the telemetering and related expense; the required one-time-per-year conversion to Rate FT; and the proposed structure of the balancing fees.

After considering the evidence of record, the proposed modifications, and being otherwise sufficiently advised, the Commission finds that LG&E's proposed tariff modifications, as further modified by Exhibit C of Randall J. Walker's March 10, 1995 pre-filed testimony, be approved with the following exceptions:

1. On page 10-G of Exhibit C in the Section entitled Operational Flow Orders, the last sentence of the third paragraph should be changed to read "Customer shall be charged \$15.00 per Mcf plus any other charges applicable under this rate schedule for such unauthorized receipts or deliveries that occur 24 hours after notice of the OFO is provided to the customer or that fall outside the ± 10 percent imbalance tolerance regardless of the notice." This additional requirement more appropriately matches the degree of reliance a customer should be able to place on an as-available balancing service.

2. On page 10-H of Exhibit C in the section entitled Remote Metering, the second sentence, which is underlined, should be deleted. The Commission finds LG&E's methodology in calculating the proposed monthly facilities charge inappropriate and flawed in its premise that all customers will choose this option. The proposed annual charges of \$131.50 per meter are likewise inappropriate; these costs should be the subject of examination in LG&E's next rate proceeding for inclusion in base rates for customers subscribing to this service.

3. On page 10-L of Exhibit C, the third sentence of the first full paragraph should be corrected to set out ten percent of the delivered volumes instead of five percent. This corresponds to the agreement regarding the tolerance increase between LG&E and KIUC.

As to the objections of CES to both existing and proposed tariff provisions of LG&E's transportation service, the Commission does not believe LG&E's service offerings to its customers to be inappropriate (save for the exceptions listed above) given the changing environment of the gas industry. The term "transportation only" service appears to be a misnomer as applied to the process of delivering gas by displacement to a customer who, practically speaking, is rarely able to exactly match consumption with delivery. Unless this customer always over-nominates his gas requirements (thereby becoming a re-seller of gas to the transporting LDC if the LDC is willing to participate in such an arrangement) he will, in the short-term, be consuming other customers'

gas. If he does consistently over-nominate, he will, in the short-term, be using other customers' storage service for any gas not immediately sold to the LDC. No party in this case has disputed the appropriateness of charging for balancing services, only the components of such charges. LG&E has provided cost support for its balancing charges which the Commission finds reasonable, especially in light of other concessions it has made such as the increase in imbalance tolerance, the pooling service, and the cost of gas to the customer pursuant to the cash-out provision.

The Commission is convinced of the need for remote telemetering, not only by LG&E's arguments, but also by KIUC's acceptance of it and the related cost. While CES objects to the telemetering as being part and parcel of daily balancing which it considers unnecessary and burdensome, the requirement for such equipment has been deemed necessary by other utilities that do not require daily balancing. LG&E should be granted a waiver from the regulation and tariff requirements concerning it bearing the cost of meters as they would pertain to the new FT tariff requirements. This waiver is not retroactive and does not relieve LG&E of the cost responsibility of meters installed before the effective date of this Order.

The Commission is sensitive to the fact that while the sale of gas to customers is becoming more competitive, the delivery of gas to the burner-tip is still largely a monopoly function. This should not work to the detriment of customers wishing to arrange for their own supply of gas or to the detriment of their agents who

must rely on LDCs to provide access to competitively priced gas supplies for their clients. It does not appear to the Commission that the requirement for elections to transfer to Rate FT by April 30 of each year unduly hampers customers or their agents in accessing gas supply, but rather balances their interests with the interests of those who remain dependent on LG&E for every aspect of their gas supply arrangements.

IT IS THEREFORE ORDERED that:

1. Within 30 days of the date of this Order, LG&E shall file its Standard Rate Schedule FT, Standard Rider Reserved Balancing Service, and Standard Rider Pooling Service, reflecting the modifications prescribed herein.

2. Within 30 days of the date of this Order, LG&E shall file with this Commission the names of any customer required to pay for a meter before the effective date of this Order, along with verification that such payments have been refunded.

Done at Frankfort, Kentucky, this 27th day of June, 1995.

By the Commission

ATTEST:


Executive Director

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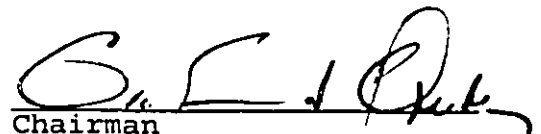
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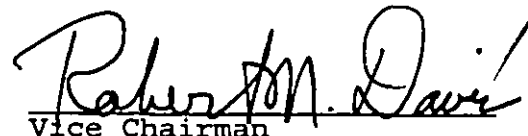
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PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

ATTEST:


Executive Director


Commissioner